

**FINANCE, AUDIT AND COMPLIANCE COMMITTEE MEETING MINUTES  
4016 WEST BROAD STREET  
RICHMOND, VIRGINIA**

**JULY 18, 2006, 5:30 P.M.**

**PRESENT:** C. T. Hill, Chairman, Marshall Davison, Sherry Smith Crumley; **ABSENT:** Thomas A. Stroup, William T. Greer, Jr. (schedule conflicts); **BOARD CHAIRMAN,** John W. Montgomery, Jr., **INTERIM DIRECTOR,** Colonel W. Gerald Massengill

A working dinner was held between the Education, Planning and Outreach Committee and Finance, Audit and Compliance Committee meetings. Chairman Hill called the Finance Committee meeting to order at 6:00 p.m. A quorum was present.

Minutes of the May 22, 2006 meeting were prepared and distributed as well as being posted on the Department's Web site. Chairman Hill called for any corrections or additions to the minutes. As there were none, **Ms. Crumley moved, seconded by Mr. Davison, passed unanimously by the members present, to approve the minutes at written.**

**Preliminary Year End Report:** Virgil Kopf presented a preliminary year-end report. The total income for fiscal 2006 was \$59.2 million, (\$6 million of that amount was the loan transfer for the Featherfin Wildlife Management Area, \$14.5 million was received through the transfer process, HB 38 and watercraft sales and use tax, and \$2.7 million from other revenue sources). The Department did have one extra payroll in 2006 (\$1.2 million).

Hunting license sales in fiscal 2006 appeared to be \$200,445 less than 2005 and fishing license revenue was \$668,558 more than 2005. The Department will draw down \$300,000 from surplus property sales and \$1.5 million from insurance recovery in fiscal 2007. We recovered \$1.3 million more in federal dollars than in 2005.

The agency's budget for fiscal 2006 was \$47.9 million and it spent \$47 million (1.9% variance). However, the Department has not been reimbursed for the costs incurred from sending law enforcement officers to Mississippi to assist with the Hurricane Katrina recovery and to clarify the over expenditure in the equipment category. Staff was requested to be prepared to report to the full Board at its August 22 meeting whether it has been reimbursed for these costs. Committee members liked the new financial reporting format.

**Financial Report, Virginia Wildlife Magazine:** Staff reported that it is working on a financial report insert for the December 2006 issue of the Virginia Wildlife magazine that will discuss the agency's revenue sources and expenditures. This information will be placed on the Web site also. The Chair requested staff to have the draft insert available for the Committee's review at its September meeting.

**SPCC Report:** The SPCC Committee met July 17, reviewed card activity, and approved two planned agency sponsored events. The 10% random reviewed revealed 9 charges that were not sufficiently documented (vehicle repairs). The SPCC guidelines will be modified to address this problem. There was one charge relating to uniforms that required additional review and one charge appeared to violate the VITA purchasing policy.

**Audit Review Meeting with the Secretary of Natural Resources:** Ray Davis reported that he, John Moore and Colonel Massengill recently met with Secretary Bryant to discuss the agency's recent audits and to outline the Department's response to some recommendations.

The Department is pursuing a shared external auditor's position that will work for DGIF, Health and Human Services, the Department of Environmental Quality, the Department of Historic Resources and the Virginia Marine Resources Commission. John Moore plans to schedule a meeting with staff from these agencies to explore this concept. Mr. Hill hopes to participate in that meeting. This position will report to the Board.

Staff continues to work on recommendations concerning the agency's vehicles.

**HB 38 Briefing:** Ray Davis presented an overview of the work that was performed to successfully obtain the alternative funding source for the Department known as HB 38. Prior to enactment of HB 38 1998, enabling legislation in 1994 dedicated the watercraft sales and use tax revenue to the Department to be used for boating and boating enforcement. This revenue was transferred to the Department over a five-year period from 50% to 100%, and it grew from approximately \$4 million to \$7.2 million. The Department now receives approximately \$6 million from this revenue source, as a result of the state's budget crisis a few years ago when then funds were redirected from DGIF to the general fund to address the anticipated revenue shortfall.

In the mid 1990's Department staff projected that the Department would experience a revenue deficit if alternative revenue sources were not identified. Long-term legislative studies of the agency's funding were performed, and the Auditor of Public Accounts performed an audit in 1996 of the Department's revenue that substantiated the prediction that the Department would indeed experience a funding deficit without alternative funding sources.

The Board directed staff to identify alternative funding sources, and a legislative study was performed (HJR 552) on the agency's financial condition and recommendations were made to the 1998 General Assembly session on its findings. The Department launched a statewide educational outreach campaign to constituents, members of the legislature and non-traditional interests that benefited from the Department's services. Department staff was briefed on the need and took advantage of every opportunity offered to talk to constituent groups on the need. Staff noted that HB 38 received tremendous public support.

The consensus was that the Department's funds had to be related to outdoors related recreational sources and it was felt that it would be appropriate to dedicate 2% of the sales tax derived from these sources to the Game Protection Fund. The legislature placed a \$13 million cap on the amount of these funds that would transfer to the Department. The U. S. Fish and Wildlife Services' survey of consumers was the instrument used to determine that amount.

HB 38 passed in the House with a 99-0 vote and the Senate approved it with a 40-0 vote. The bill became law on July 1, 1998. The Department did not receive its first payment from this revenue until 2001 (\$9.2 million), 2002 (\$12.3 million), 2003 (\$10.5 million as a result of the budget crisis), and 2004 through 2006 (\$10.5 million was based on the adjusted U.S. Fish and Wildlife survey).

HB 40 was also introduced during the 1998 General Assembly session. This bill would have given the Board of Game and Inland Fisheries the authority to adjust license fees. It was not advanced.

After HB 38 was approved, the revenue source was challenged by other state agencies, including the Department of Conservation and Recreation and the Virginia Marine Resources Commission. Staff was encouraged to continue its education outreach on the importance of HB 38, the watercraft sales and use tax, license sales revenue and federal funds.

The new U. S. Fish and Wildlife survey results will be released in the fall of 2007 and future HB 38 funds will be based on that report.

Colonel Massengill commented that many of the members of the General Assembly are confused about the Department's alternative funding sources, HB 92 in 1994 was the watercraft sales and use tax, and HB 38 in 1998 transferred 2% of the sales tax on outdoor related recreational equipment to the Game Protection Fund.

David Whitehurst commented that the Doris Duke Foundation has become interested in the State Wildlife Grants Program, and they are working to improve state funding at the federal level and to help states raise needed matching funds. The Foundation has shown

an interest in helping to raise funding for wildlife in Virginia. The Virginia Forever Campaign is assisting in this effort. Additional information will be provided on this effort as it becomes available.

**Department of Accounts Review:** DOA has notified the Department that it will conduct a decentralization review of the agency for disbursement compliance using a statistical sampling of vouchers for expenditures for the last year.

Because the next scheduled Finance, Audit and Compliance Committee meeting conflicts with the Governor's Natural Resources Summit, the Committee Chair asked staff to look for an alternate meeting date or time.

John Moore reported that the Federal Audit of the Department has been finalized, and a copy has been sent to each Committee member.

**Public Comment:** The Chairman provided an opportunity for members of the public to comment and the offer was declined.

**Adjournment:** As there was no further business, the meeting was adjourned at 7:10 p.m.

Respectfully submitted,

Belle Harding  
Board Secretary